Gifford Medical Center

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To: Owen Foster, J.D., Chair, Green Mountain Care Board

From: Daniel Bennett, Chief Executive Officer
Jennifer Bertrand, Chief Financial Officer

Date: June 30, 2023

Subject: Gifford Medical Center Budget Narrative, Fiscal Year 2024

I. Executive Summary

Gifford Medical Center's (GMC) fiscal year 2024 operating and capital budgets have been reviewed and approved by the GMC finance committee and board of trustees. GMC leaders constructed the budgets in alignment with our strategic plan and community health needs assessment.

Our net patient service revenue (NPSR) growth when comparing our FY 2022 actual to FY 2024 budget is 7.2% after adjusting for two practice transfers in FY 2024. Therefore, the GMC FY 2024 operating budget complies with Green Mountain Care Board (GMCB) NPSR guidance.

The two practice transfers pertain to our OB/GYN and Neurology practices, which were previously integrated within the Gifford Health Care (GHC) structure as part of the Federally Qualified Health Center. The cumulative Net Patient Service Revenue for these two practices amount to $1,581,254 in the designated FY 2024 budget.

The GMC team continues to manage the dual priorities of investing in the future, while dealing with significant cost pressures. These pressures are most evident in continued high contract labor expenses and inflation impacts on supplies, food, and energy costs. Gifford maintains a position control process to monitor and manage staffing and FTE levels within our organization. Our position control process includes requests for contract labor and has assisted us to decrease use of traveling staff in some instances. While our overall numbers of traveling staff have come down from our recent highs, we continue to utilize them in areas requiring capacity staffing.

GMC remains committed to investing in our employees, recognizing that these investments play a pivotal role in securing the stability and long-term viability of our organization, as well as meeting the diverse needs of the communities we serve. Our ongoing investments encompass various initiatives, such as the successful implementation of our market-based compensation program in fiscal year 2023, the establishment of an in-house certified medical assistant training program, and the introduction of our nursing orientation and residency program, which welcomed a cohort of twelve new graduate RNs to GMC during FY 2023.

Gifford is currently engaged in our SOLE project, an endeavor that involves the implementation of a new electronic health record for the hospital and practices. Our new Meditech system will replace three systems that currently support the hospital, our emergency department and our practices. This system will promote clinical and operational efficiency, while offering our providers, direct care givers, operational, financial and administrative staff more robust data to support decision-making in all of these areas. This process has resulted in additional expenses to our organization during fiscal year 2023 due to the need to maintain parallel systems.

GMC and Gifford Retirement Community are subsidiaries of Gifford Health Care (parent organization and federally qualified health center). Our small local system is integrated to share administrative and support services. GMC is by far the largest of the three organizations and is typically the strongest financially. All three entities have experienced operating losses in FY 2023 due to cost pressures noted above and our leadership team is actively pursuing financial improvement initiatives.

GMC is submitting a responsible budget for FY 2024 that helps to ensure we meet the healthcare needs of our community and supports our strategic plan. Our budget meets the GMCB guidelines and has been approved by the GMC board of trustees per their fiduciary responsibility.

II. Questions

a. FY 2022 Actuals – Adjustments

i. *Provider Transfer*

Included in the FY 2024 budget is the integration of professional service revenue from our OB/GYN and Neurology practices, which were initially established within our FQHC. To streamline operations and alleviate the complexities associated with maintaining separate hospital-based and professional services, we made the decision to consolidate the OB/GYN and Neurology practices under the hospital's TIN. Consequently, when comparing the FY 2024 budget to the actual net revenue of FY 2022, adjusting for the provider transfers, we observe a 7.2% increase in revenue.

Moreover, it is necessary to account for the transfer of expenses when conducting a comparison between the FY 2024 budget and the actual expenses incurred in FY 2022.

Both of the above services have existed as an FQHC-based practice within our community as well as within our organization; therefore, this would not be an additional expenditure to the healthcare system. For the reasons mentioned above, we concluded that formal notification to our patients was not necessitated.

Please refer to GMC's submitted schedule A for the requested financial information pertaining to both transfers.

b. FY 2024 Proposed Budget Factors

i. Labor Expenses

i. Staff Salaries – the FY 2024 budget as it compares to FY 2022 actuals equates to an increase of $3.4M; comparing the FY 2024 budget to FY 2023 projected, an increase of $1.7M can be identified.

When assessing these variances, it is important to take into account multiple factors. These include the substantial market adjustments GMC has implemented over the past two years, which encompassed changes to shift differentials and premiums. Additionally, the filling of provider vacancies, the inclusion of OB/GYN and Neurology practice salaries within the hospital, and increases resulting from filling vacant positions should be considered. It is important to note that these increases are offset by the reduction in traveler expenses as permanent staff members are hired.

In FY 2022, GMC recognized the need for a comprehensive wage analysis as it had not conducted one in a considerable number of years. Consequently, the organization enlisted the services of a consultant to perform a thorough evaluation of all positions. As anticipated, the analysis revealed that GMC's wages were significantly below market rates for a majority of its positions. (It is important to note, that GMC absorbed the impact of these significant increase in salaries and did not factor them into our FY 2023 wage inflation that was used to substantiate our rate proposal). Considering affordability, GMC implemented only half of the increases in FY 2022 and deferred the remaining half to FY 2023.

In order to ensure a competitive and fair assessment of our compensation program and to enhance our ability to attract and retain skilled professionals, we depend on the expertise of our compensation consultant, who conducts a market analyses, to ensure our competitiveness. Their guidance and recommendations regarding the most up-to-date and equitable wage structure have led us to incorporate the proposed increase into our FY 2024 budget.

GMCs inflationary wage increases tend to align with those published by the US Bureau of Labor Statistics.

Lastly, GMC utilizes its position control mechanism as a basis for budgeting all FTEs within the organization, inclusive of open positions and a factor incorporated for vacancies.

ii. Staff Benefits – As per the relied upon guidance received from our benefit consultants, GMC has incorporated a 3.5% increase in benefit expenses, which is reflective of the negotiated terms with our carrier. This is the same increase that was applied to our FY 2023 benefit plan as well.

iii. Contracted Labor – please refer to GMCs explanation outlined in section “c” below.

ii. Utilization

Gifford originates its revenue budget process by establishing a baseline annualization of the year-to-date charges through March, categorized by service line. This baseline is then compared to a two-year historical lookback to validate the assumptions. After establishing the baseline, anticipated changes in utilization for the upcoming fiscal year are integrated into the budgeting process.

For the FY 2024 budget, we have included increases in particular outpatient service lines. These service lines include increased volume in outpatient surgical services facilitated by the addition of a new Orthopedic surgeon who will start with Gifford in September. Furthermore, the incorporation of our OB/GYN practice allows for the provision of gynecological surgery, and with a complete year of our cardiologist and more recently recruited podiatrist we are able to realize notable volume increases.

iii. Pharmaceutical Expenses

GMC has integrated an average inflation rate of 5% for pharmaceuticals into the fiscal year 2024 budget. This determination is derived from the data furnished by our group purchasing organization. The inflationary adjustment utilized represents the median percentage applicable to the mix of drugs administered to our patients. The cost of medications and inflationary influences often exhibit an elevated trend in the context of oncology and infusion treatments, while comparatively lower in relation to more prevalent inpatient medications. GMC has observed a notable increase in pharmaceutical volumes attributed to the utilization of higher-priced drugs within our Oncology and Infusion service lines and a decline in pharmaceutical volumes associated with inpatient medications.

iv. Cost Inflation

As mentioned previously, GMC has incorporated a 4% inflationary wage increase into the FY 2024 budget as well as included a 5% inflationary factor for pharmaceutical expenses.

As it pertains to the remaining expense groupings of medical/surgical supplies, purchased services, and the small category of other expenses, we have applied a 4.0%, 2.6%, and 1.5% increase respectively. The inflationary increase applied to medical surgical supplies was derived from the budget impact projection report we receive from our group purchasing organization, which states market prices will increase by 4.1% from July 2023 to June 2024.

v. Commercial Price Changes

Gifford's FY 2024 budget proposes an aggregate 3.6% rate increase; a 3.0% increase would be applied to our inpatient charges, a 4.0% increase to our outpatient charges, and 3.0% increase in professional charges.

The marginal rate increase we are proposing will cover the commercial portion of inflation and related cost shift factors. Presented in the following chart is the methodology applied to derive the proposed rate increase.

Inflationary Impact:	$	%
Wages & Benefits	745,679	4.0%
Pharmaceuticals	125,976	5.0%
Med/Surg Supplies	148,852	4.0%
Supplies & Purchased Services	230,527	2.6%
Other	48,552	1.5%
Total Inflation	**1,299,586**	**2.3%**

Commercial Mix	34%
Commercial Portion of Inflation	441,859
Payer Policy Changes	50,000
Cost Shift MCR	131,233
Cost Shift MCD	220,643
Total Comm Rate Substantiation	**843,735**
FY 2024 Incorporated Rate Increase	**853,213**

The calculated $1.3M that has been budgeted for inflation is translated to a computation of the commercial components that constitute the rate GMC has incorporated. In order to arrive at this calculation, the commercial mix of unique patients is derived, which is 34% for the FY 2024 budget. The 34% comprises $442K of the total $853K requested. The historical impact of payer policy changes is then factored in, which over the last two years equates to approximately $50K. The cost shift for Medicare is then calculated, taking into consideration the only applicable cost shift impact is related to the clinical portion of provider salaries, fringe, and benefits. The remainder of Medicare's portion of inflation is covered by our cost-based reimbursement methodology. Lastly, the calculation takes into account the applicable Medicaid cost shift, which is based on our Medicaid mix. All of these components comprise the $853K we are proposing for a modest rate increase.

It is important to emphasize that we have included $1.5M of retroactive net revenue in our budget. Over the past two years, we faced two challenges within our organization that prevented us from realizing the approved commercial rate increases. Firstly, we faced the need for a complete rebuild of our charge master, involving necessary changes to revenue codes and service locations. Secondly, a thorough analysis of our charges was essential to ensure pricing accuracy and appropriateness. Fortunately, with the upcoming implementation of our new EMR system, we have effectively addressed these issues. Therefore, in FY 2024, GMC would be in a position to implement the approved increases from the prior two years.

vi. Financial Indicators

As the foundation for establishing the FY 2024 budgeted operating margin for GMC, we utilized a financial sustainability model that aligns our budget with our strategic planning process and initiatives. The model allows for the effective balance necessary when correlating margin targets with appropriate and affordable investments in our workforce, capital, and populations health initiatives. The model contains three classifications of financial sustainability: survive, sustain, and thrive. In consideration of our financial performance over the last few years, we built our FY 2024 budget based on the ability to survive. Therefore, from a strategic planning standpoint, for this budget cycle, we did have to make considerable concessions based on the margin we were able to generate.

The table below depicts a comparison between GMC & GHCs financial indicators and relevant benchmarks. These metrics provide insights into our organization's profitability, liquidity, and operational efficiency, enabling us to identify areas of strength and areas that may require improvement.

Financial Indicators FY 2024				Flex Monitoring Benchmarks (Median)		
	GMC	Cons GHC		VT	US	Region 1
Profitability:						
Operating Margin	8.39%	0.12%		10.65%	10.90%	11.90%
Operating EBIDA	11.69%	0.00%				
Total Margin	8.39%	0.12%		12.94%	13.11%	13.35%
Leverage & Liquidity Ratios:						
Days Cash on Hand	**194.27**	116.92		182.17	164.81	221.84
Debt Service Coverage Ratio	5.89	1.40		12.14	8.91	12.42
Debt to Capitalization	**14.3%**	31.2%		21.7%	22.4%	25.9%
Average Age of Plant	18.28	15.16		15.47	12.54	15.18

By evaluating our financial indicators against benchmarks, we recognize that our consolidated results are underperforming across all areas. As a result, throughout the course of the 2023 fiscal year we have implemented margin improvement plans for each of our three corporations. Those plans include but have not been limited to improving the financial performance of our retirement community by reducing expenditures in the areas of supplies and purchased services, improving access to our primary care and behavioral health practices, reducing the reliance on temporary labor in the hospital as well as the nursing home, and expanded efforts to stabilize our OB/GYN services.

While the hospital's performance demonstrates progress in comparison to the consolidated entity, it still falls short when benchmarked against industry standards. Only two areas, namely days cash on hand and debt to capitalization, meet the desired performance levels.

This analysis serves as a valuable tool in making informed financial decisions, setting goals, and developing strategies to improve our organization's financial performance and sustainability.

vii. MCR & MCD Reimbursement

i. Medicare revenues are budgeted in accordance with our Critical Access Cost-based reimbursement and settlement process. GMC's Medicare reimbursement estimates for the FY 2024 Budget have taken into account an increase in outpatient activity as well as the correlative increase in costs associated with the mix of services budgeted; therefore, the net revenue assumptions have been adjusted accordingly.

ii. Medicaid revenues for specialty care services include the 3.8% inflation increase approved in the SFY 2024 Budget.

viii. Uncompensated Care

GMC develops its budgeted charity care and bad debt amount by utilizing a percentage of gross revenue. We assess the trend derived from this calculation for the current fiscal year and incorporate that into the budget.

The following table illustrates the historical percentages associated with bad debt and free care. It is important to note that prior to FY 2020, the discounts for amounts generally billed (AGB) were included in the bad debt category, whereas they are currently recognized in GMC's contractual allowances. As a result, comparing the bad debt percentage of gross revenue before the continuous coverage period can be challenging due to the distortion caused by this issue.

	2017A	2018A	2019A	2020A	2021A	2022A	2023P	2024B
Charity Care % of GPSR	0.34%	0.49%	0.36%	0.53%	0.43%	0.36%	0.29%	0.37%
Bad Debt % of GPSR	2.54%	2.15%	2.16%	1.28%	1.46%	1.35%	0.91%	1.28%
Total % of GPSR	2.88%	2.64%	2.52%	1.81%	1.89%	1.71%	1.20%	1.65%

While it can be argued that there may be some inherent risk in the percentage we have assigned to bad debt for the upcoming budget year, it is derived from estimations pertaining to the prevailing trend.

Regarding the percentages for free care, the FY 2024 budget aligns with historical patterns observed both before and during the continuous coverage period.

c. FY 2024 Budget – Known Risks & Cost Saving Initiatives

Identified Risks

GMC's FY 2024 Budget contains various risks that warrant acknowledgement:

- *Financial Sustainability* – similar to numerous healthcare organizations, Gifford faces persistent obstacles in safeguarding long-term solvency, particularly given our existing debt service position (please see item d for additional details) and the evolving post-pandemic landscape. In the face of inflationary pressures, escalating costs, workforce challenges, infrastructure requirements, and market fluctuations, maintaining favorable margins that support vital investments for sustaining financial stability has become increasingly difficult.
- *Temporary Labor Reduction* – through our ongoing recruitment and retention initiatives, we have made notable improvement in reducing our reliance on temporary labor, leading to a decrease in associated expenses. Nevertheless, it is important to acknowledge that traveler expenses persist as a significant risk factor within our budgetary framework.

- *Wage Pressures* – the salary and cost of living increases incorporated into the budget poses a level of risk, considering the potential for market data to indicate an increase above 4%. Moreover, the intensifying regional competition among hospitals vying for the same pool of candidates adds to the ongoing workforce challenges.
- *EMR Implementation* – during the summer of FY 2023, GMC leadership faced the challenging decision of having to reschedule our EMR implementation date, which is now planned for October of FY 2024. Any further need for delay would result in the additional expense of maintaining parallel EMR systems. Additionally, as with any EMR implementation, the risk of an unsuccessful go-live poses a financial threat that would have substantial consequences.
- *ACO Risk Reserve* – taking into account historical trends, we have made the decision not to include a reserve for risk in the FY 2024 budget. While the outcomes have been favorable thus far, this approach carries the potential for a $400K exposure in the event of any shifts in performance.
- *Age of Plant* – despite ongoing investments in our facilities and equipment, Gifford continues to face persistent challenges in modernizing our infrastructure as a result of insufficient consolidated operating margins that are needed to ensure adequate funding for capital investments.
- *Commercial Rate* – there is an inherent risk associated with successfully negotiating the desired retroactive rate increases with the commercial payers.

<u>Cost Saving Initiatives</u>

Gifford's ongoing commitment to reduce costs has enabled us to recognize expense savings and incorporate cost avoidance strategies without compromising our commitment to delivering high quality care to the patients we serve.

- *Staffing Control Mechanism* – we have implemented and operationalized a staffing control mechanism to limit salary expenses and FTE growth throughout the organization. Gifford's Position Control Committee reviews all requested changes to FTE hours (increase or decrease), all FTE additions or eliminations, and any per diem requests. Final approval of these requests must be authorized by the Director of Human Resources, the CFO, and the CEO.
- *Reduction of Traveler Expense* – as a result of continued efforts to stabilize our workforce, we have been able to incorporate a reduction in traveler expense within the proposed FY 2024 Budget. This outcome can be attributed to the implementation of five distinct initiatives:
  - Nurse Residency Program – the program was established in FY 2023 and is grounded in the TSAM (Tiered Skills Acquisition Model), to facilitate the onboarding process for new hires. This model adopts a structured approach that encompasses education, learning, and skill

acquisition, fostering an optimal environment for continuous growth. The program has demonstrated significant benefits, including a 50% rise in patient interactions, a 19% reduction in orientation time, and positive feedback and retention rates. Currently, it has been successfully implemented on our Med/Surg, ED, and Surgical units with plans for deployment in the birthing center this summer.

    - Vermont Talent Pipeline Collaboration – We have established a collaboration with the organizational leadership of the Vermont Talent Pipeline to develop a clear trajectory for our employees, enabling them to progress from LNA (Licensed Nursing Assistant) to LPN (Licensed Practical Nurse) and further to RN (Registered Nurse). Through this partnership, our employees receive valuable assistance from VSAC (Vermont Student Assistance Corporation) counselors, who facilitate access to grants and scholarships, further enhancing their educational journey.
    - Joint Affiliation Nurse Educator Partnership – we are currently in the process of recruiting a Joint Affiliation Nurse Educator who will be employed by GMC. Their primary responsibility will involve coordinating and providing clinical rotation education to Practical Nursing (PN) and Associate Degree in Nursing (ADN) students at GMC. In recognition of this collaborative effort, VTC (Vermont Technical College) will partially reimburse a portion of the salary for this position. The success of this position has been demonstrated through successful trials at other Vermont hospitals, as it effectively establishes a reliable source of new hires for our organization. Additionally, through the Joint Affiliation Program, VTC has been able to expand the nursing program by adding 10 additional seats and is able to introduce a weekend cohort option.
    - Nurse Preceptor Education Program – we have developed and implemented a comprehensive Nurse Preceptor Education program to equip bedside nurses with the necessary tools to effectively educate and onboard new hires in a supportive manner that encourages ongoing learning and professional growth. All Gifford Nurse Preceptors have received formal training, ensuring their preparedness for this crucial role.
    - LNA & MA Training Programs – we have established a partnership with RTC (Regional Training Center) to create an internal training program for Licensed Nursing Assistants (LNAs) and Certified Medical Assistants (CMAs).
- *Contract Payment Term Discounts* – we are in the process of negotiating payment term discounts with several of our vendors in which we receive a reasonable discount on invoices that are paid within 10 to 15 days upon receipt. Additionally, we continue to evaluate our service contract

arrangements and have been able to incorporate anticipated savings into the FY 2024 Budget.
- *Expense Analysis Committee* – we have operationalized an expense analysis committee that reviews non-routine, non-medical supply purchases to ensure and maintain fiscal accountability throughout the organization.
- *Employee Travel and Conference Attendance* – Gifford has significantly limited the amount of allotted employee travel and conference attendance, all requests for attendance are reviewed and evaluated based on the degree of benefit to the organization.

d. GMC Corporate Structure

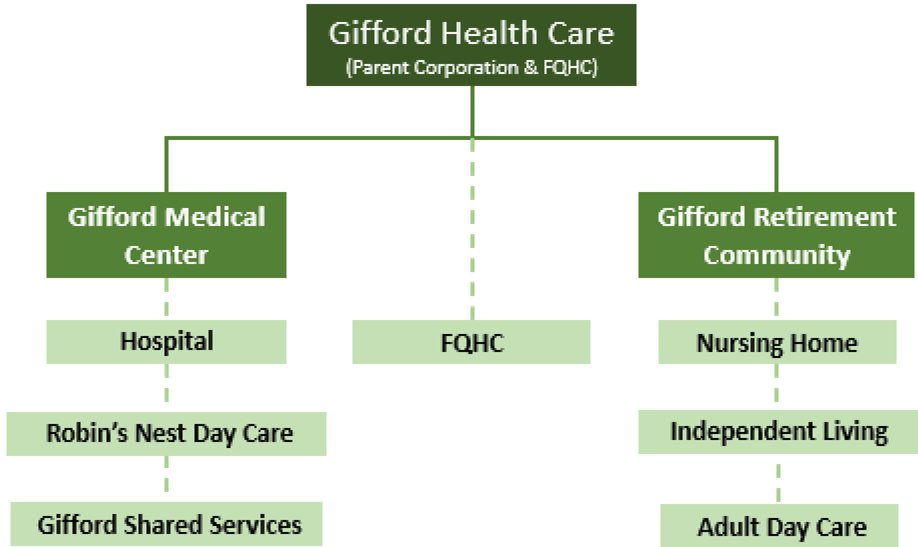
When evaluating Gifford Medical Center's operating margin, it is important to consider it is the primary revenue source for the entire organization and therefore subsidizes the losses incurred by the other corporations under Gifford Health Care. Although Gifford Medical Center has experienced favorable operating margins over the last few years (FY 2020 thru FY 2022), our consolidated organizational financial performance has been a challenge. At the close of FY 2022, our consolidated operating margin reflected a deficit of $3.7M. Gifford's operating margin performance continues to be unfavorable; as of the close of the second quarter, our consolidated operating margin reflects a deficit of $4.3M.

As most health care organizations, Gifford is experiencing significant challenges with respect to meeting its debt covenant obligations. Gifford Medical Center's debt covenants are evaluated and reported on a consolidated basis and require a debt service ratio at or above 1.4 and days cash on hand at or above 75 days.

We began FY 2022 with a debt service ratio of 4.2 and days cash of 230; unfortunately, at the close of FY 2022, both of these key covenants had been reduced to 2.0 and 138 respectively. Gifford's debt covenants continue to erode through the second quarter of FY 2023 (DSCR = 0.87 and DCOH = 119); which has not only resulted in the substantial draw on our reserves, but has also reduced our current standing with our lending institution and we are now considered to be in technical default of our bond covenants.

The two main factors that have negatively impacted Gifford's debt service over the last year and a half has been the realized losses due to our investment performance as a result of the market fluctuations and the significantly unfavorable consolidated operating margin performance. Gifford is actively working to address a resolution to the default to regain compliance and continues to engage in margin improvement initiatives in each of our three corporations.

Below is a representation of Gifford Health Care's corporate structure:



e. Referral & Visit Lag Data

1. Referral Lag – The referral lag data for both patient referrals in the ambulatory care setting as well as patient referrals for imaging services cannot be effectively extracted from our current EMR. Due to the lack of efficient interoperability between EMR platforms as a result of utilizing multiple EMR systems within our organization, the ability to report the requested referral lag information is indistinct. With the implementation of our new EMR, we anticipate this metric will be more accessible and measurable.

2. Visit Lag – The visit data provided within our current EMR is based on the location of the practice and the mix of specialty services provided by that location, versus based on the individual specialty. With the build of our new EMR, we have adjusted this approach to provide the data at the individual specialty level. For the purposes of our reporting at this time we could only provide the level of information outlined herein:

	Visit Lag									
	Within 2 Weeks	%	Within 1 Month	%	Within 3 months	%	Within 6 Months	%	Over 6 Months	%
Primary Care - Randolph	1	50%	0	0%	1	50%	0	0%	0	0%
Primary Care - Berlin	1	5%	0	0%	9	41%	12	55%	0	0%
Primary Care - Bethel	2	12%	2	12%	2	12%	6	35%	5	29%
Primary Care - Chelsea	5	63%	1	13%	1	13%	1	13%	0	0%
Primary Care - Rochester	0	0%	1	100%	0	0%	0	0%	0	0%
Pediatrics	0	0%	0	0%	0	0%	0	0%	0	0%
OB/GYN & Midwifery	5	31%	11	69%	0	0%	0	0%	0	0%
Specialty Care - Randolph	146	73%	40	20%	14	7%	0	0%	1	0%
Specialty Care - Berlin	25	83%	5	17%	0	0%	0	0%	0	0%
Specialty Care - Sharon	21	75%	5	18%	2	7%	0	0%	0	0%

	Imaging Lag									
	Within 2 Weeks	%	Within 1 Month	%	Within 3 months	%	Within 6 Months	%	Over 6 Months	%
Mammography	65	60%	23	21%	17	16%	2	2%	2	2%
Ultrasound	49	68%	14	19%	1	1%	2	3%	6	8%
MRI	37	93%	3	8%	0	0%	0	0%	0	0%
CT	33	80%	4	10%	2	5%	2	5%	0	0%

f. FY 2024 Budgeted Capital

Please reference the tables below for the funding sources and summary of capital expenditures. As it pertains to items deferred as a result of the pandemic; approximately $575K of capital expenditures included in the FY 2024 capital budget were deferred from FY 2020 thru FY 2022.

Funding Source	Amount
Funded Depreciation	1,100,000
Operations	2,120,000
Grants	-
Philanthropy	120,000
	3,340,000

Category	Expense	Funded Depreciation	Operations	Philanthropy
Buildings & Building Improvement				
HVAC Replacement	750,000	✓		
Main Roof Replacement	200,000		✓	
Practice Site Generator	65,000	✓		
Flooring Replacement	50,000	✓		
< $35K Misc Improvements	151,000		✓	
Land Improvements				
Water Line Replacement	45,000	✓		
Site Work	255,000		✓	
Equipment				
Perinatal Monitoring Equipment	200,000	✓		✓
GE Monitoring System Upgrade	110,000		✓	
Anesthia Monitors	80,000		✓	
OB/GYN Equipment Upgrades	80,000		✓	
< $75K Equipment Purchases	727,315		✓	
Information Technology				
Server Upgrade	300,000		✓	
Wireless Replacement	200,000		✓	
Routine Computer Upgrades	125,000		✓	

g. Cybersecurity Investments

GMC's FY 2024 budget includes the following cybersecurity investments, which equates to a total of $385K:

- Office 365 Advanced Security Add-ons = $28,000.
- Managed Detection & Response (MDR) Software = $96,500.
- Encryption & Detection Software = $38,720.
- Two Factor Authentication, Remote Access, & VPN Security = $96,500.
- Access Security = $64,000.
- Cybersecurity Insurance = $59,000.

h. Incumbered Patient Transfers & Boarding

Incumbered Patient Transfers

Below is the total amount of annual estimated expenditures associated with providing care to patients who could not be placed in a more appropriate care setting such as a skilled nursing facility for fiscal year's 2021, 2022, 2023, and 2024. The amounts were approximated using a cost accounting approach that is associated with our customary cost-based reimbursement methodology in addition to an estimated cost for professional hospitalist services rendered. These estimated expenditures are included in the FY 2024 budgeted costs for medical surgical supplies, medical surgical department expenses, ancillary expenses, rehab expenses, and expenses associated with hospitalist professional services.

FY 2021	FY 2022	FY 2023 YTD	FY 2023 Anlzd	FY 2024 Bud
829,902	1,394,108	1,238,608	1,857,912	1,799,830

Emergency Room Boarding Episodes

Below is the total emergency room boarders and the proportion of those boarders with a primary mental health diagnosis. It is important to note that although the proportionality of patients presenting with a primary mental health diagnosis may be marginal, the recurrence of visits, by the same subset of patients, is resulting in a much higher percentage of patient days. Additionally, the proportion of total charges for this subset of patients is not indicative of the care provided as we are only able to charge for the initial emergency room visit and any associated ancillary charges until the patient is discharged or transferred.

	Total Emergency Room Boarders				
	FY 2021	FY 2022	FY 2023 YTD	FY 2023 Anlzd	FY 2024 Bud
Patients	224	281	224	336	280
Patient Days	142	216	144	216	191
Patient Charges	3,504,574	4,653,223	4,115,015	6,172,523	5,454,322

	Proportion of ED Boarders w/Mental Health Diagnosis				
	FY 2021	FY 2022	FY 2023 YTD	FY 2023 Anlzd	FY 2024 Bud
Patients	13%	19%	10%	10%	14%
Patient Days	39%	39%	33%	33%	36%
Patient Charges	8%	11%	4%	4%	7%

i. Pharmaceutical Data

GMC is unable to provide the amount of net reimbursement collected for drugs administered for the care of patients as net revenue information is only captured at an aggregated payer level and not at the service line or drug unit level of detail.

GMC does track the net reimbursement for its 340b contract pharmacy revenue, which is identified as other revenue. The reported 340b revenue is net of the pharmaceutical, dispensing, and administrative costs associated with the program. It is important to note the majority of 340B funding is recognized under Gifford Health Care, our FQHC and parent corporation.

j. Facility Fees

GMC defines a facility fee as the amount charged for the resources needed to care for our patients in the Emergency Department. The fee includes the costs associated with providing the mandated services required to operate a twenty-four hour/seven day per week service to the public. Associated costs include the purchase and maintenance of emergency medical and ancillary equipment, the mandated staffing requirements set forth under EMTALA regulatory standards, the costs associated with emergency room building expenses, the associated costs of providing environmental service, registration, billing, medical record, etc. staffing that is needed to support the operations of the emergency room department.

GMC does charge a facility fee and professional fee to its patients for services rendered in the emergency department. If a patient presents at the emergency department, is registered, and decides not to receive treatment, the patient will not receive a charge or a bill for a service that is not rendered.

Below are the emergency room facility and professional fees charged to our patients, based on the intensity and level of care of the service provided:

CPT Code		99281	99282	99283	99284	99285
Description		ER Visit Level 1	ER Visit Level 2	ER Visit Level 3	ER Visit Level 4	ER Visit Level 5
Hospital Charge		$ 273.00	$ 397.00	$ 655.00	$ 995.00	$ 1,439.00
Physician Charge		$ 96.00	$ 165.00	$ 248.00	$ 431.00	$ 753.00
Total Charge		$ 369.00	$ 562.00	$ 903.00	$ 1,426.00	$ 2,192.00

The total amount of facility fees billed to patients in FY 2022 = $6,366,573.

GMC is unable to provide the amount of fees collected as this information is only captured at an aggregated payer level and not at the service line level of detail.

Please reference GMCs price transparency data that is available at https://giffordhealthcare.org/patients/billing/ to obtain an estimate of the amount payers will reimburse for services rendered for the emergency room facility fees.

k. Patient Financial Assistance

i. Currently, in anticipation of the upcoming implementation of our new EMR system, we have adopted a streamlined pre-registration process to enhance the efficiency of patient registration. As part of this process, we proactively contact patients prior to their scheduled visit to collect essential information including demographics and insurance specifics. In the event a patient informs us at the time of pre-registration that they do not possess insurance coverage, we promptly connect them with our dedicated financial counselor who provides information on the various financial assistance opportunities available to them, inclusive or payment plan options. Our financial counselors will also inform the patient of the eligibility criteria and process for applying for financial assistance.

Furthermore, each billing statement sent to patients incorporates a dedicated section that informs them of our financial assistance program. This section explicitly states that the program may offer coverage for a portion or the entirety of the care they received and includes the contact information for our financial counselor's office.

As we prepare for the complete implementation of H.287 (Act 119), we are actively undertaking the operationalization of numerous provisions outlined in the bill.

ii. At this time, GMC is unable to provide the contract and itemized information you requested as it is confidential and subject to our agreement with the third party. We can disclose that for every account sent to our third-party associate, we do pay an initial flat fee. Subsequently, any active accounts that still have a remaining balance owed 30 days after they are received, GMC will pay the associate an additional flat fee per account. We appreciate your understanding regarding the limitations associated to this request.

iii. After 120 days of continued effort to resolve or collect a payment, by the end of the subsequent month, the balance will be adjusted to bad debt.

iv. GMC accepts payments for accounts that are past due or overdue, without imposing any specific time restrictions for payment submission. Whenever a payment is received, it is recognized in the fiscal year in which the payment is made, even if it pertains to a prior year transaction.

v. We utilize our pre-registration process to evaluate patients' projected financial capacity to cover the expenses associated with upcoming services. For self-pay or high deductible plan patients, as a proactive measure, we connect them with our financial counselor with the intent of alleviating concerns regarding the potential financial burdens associated with accessing healthcare services.

vi. Please reference our aforementioned pre-registration process (section k.i. and k.v.), which outlines GMC's approach of connecting patients with our financial counselor to assess and determine eligibility for free care.

vii. GMC references the most current FPL guidelines published by HHS. These guidelines take into account factors such as household size and annual income. Gifford's financial counselor, revenue cycle director, and compliance officer reviews these guidelines and establishes specific income thresholds or ranges that align with the hospital's policies and resources.

Gifford also considers any additional state or local regulations that impact free care eligibility. This ensures that the hospital's determination of eligibility aligns with both federal and regional requirements. GMC is in the process of updating its policy to align with the limits specified in H.287 (Act 119).

l. Administrative Costs

i. The total allocation of administrative costs attributed to Gifford Medical Center amounts to $7.6M, representing 12.5% of the overall hospital expenses. The following table represents a breakdown of these costs according to GMC's categorization of activities.

Administrative Costs	12.5%
Admin & General	1.0%
Indirect Patient Support	4.8%
EMR, IT, & Clinical Informatics	6.8%

While classified as administrative, it is important to note that a significant portion of these costs originate from departments that provide essential support to our patients. These departments include Financial Advocacy/Counselors, Patient Registration, Prior Authorizations, Patient Financial Services, Medical Records, Quality, Infection Prevention, Dietary, Environmental Services, among others. Furthermore, these costs encompass not only the expenses associated with the operation of our electronic medical record and supporting software, but also the necessary training that is provided to our clinical staff.

ii. Below is a table of the requested information:

	FY 2024 Budget		
	FTE	Average	Median
Clinical	194.9	81,704	76,024
Non-clinical	88.0	54,388	67,712

Form 990 & CHNA:

All relevant documents have been submitted, which includes the most recently filed Form 990. Please note that the FY 2022 Form will not be filed until August 15th 2023; therefore, the FY 2021 form has been included in the submission.